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Milestone assessment of the implementation of the System of National Accounts, 1993, by member States

Report of the Secretary-General

Summary

The present report was prepared at the request of the Statistical Commission at its thirtieth session.[1] Section I provides background information on the definition and measurement of the milestones for implementation of the System of National Accounts, 1993 (1993 SNA). Section II contains a regional summary table of the milestone assessment for member countries covering the period 1993-1998. In accordance with a request by the Commission, no countries are identified individually. A general analysis of the assessment results as well as of the changes therein over the past three years is also included in section II. In section III, the question "What does implementing the 1993 SNA mean?" is raised. Possible implications for the modification of the milestone definition and measurement method are highlighted. A factsheet on milestones is contained in the annex.

[1] *Official Records of the Economic and Social Council, 1999, Supplement No. 4* (E/1999/24), para. 18 (e) and (f).

* E/CN.3/2000/1.

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I. Background information on milestones

1. The factsheet contained in the annex presents an executive-style summary of the background for the milestones. This assessment has now been repeated for three consecutive years, and as the new data questionnaire based on the System of National Accounts, 1993 (1993 SNA) is being introduced, an opportunity presents itself to conduct a preliminary evaluation of the milestone assessments so far. It is therefore important to recall the reason for creating this instrument.

2. The 1993 SNA is more comprehensive in scope than its predecessor. It describes the full elaboration of institutional sector accounts up to the balance sheets. The milestones as they were conceived thus put great emphasis on the compilation of institutional sector accounts. They implicitly suggest one path of developing gradually institutional sector accounts, i.e., an increasingly complex national accounting system for countries. However, it was always emphasized that the specific implementation objective and process chosen is the responsibility of the individual country.

3. At the same time, the Statistical Commission needed an instrument to review progress in implementation over time. The assessment tool is meant to enhance the effectiveness of the support system provided by the international community since assistance can be focused on regions where it is most needed.

4. For an evaluation of the milestones, it is important to distinguish between the definition, the measurement and the use of this tool. The fact that the milestones focus exclusively on accounts coverage and do not contain a quality dimension in an issue of definition. The complaint raised by a number of countries of being underrated despite having produced certain national accounts series is a problem of the particular measurement process chosen. The fact that no comprehensive strategy has yet been developed on how to improve the situation of the group of countries not reporting any economic data raises questions about the use of the milestones. After presenting the results of this year's assessment in section II, these issues will be taken up again in section III.

II. Analysis of the assessment of member States for 1993-1998

5. The table provides a regional summary of the milestone assessment. The first seven columns indicate how many countries per region/subregion have reached a certain milestone level. After the total column, a comparison with the results of the first milestone assessment in 1997 referring to the 1990-1995 time-frame is made by indicating how many countries in each region have improved and how many have deteriorated in the past three years. A milestone index per region is also presented, which calculates the weighted average of the milestone assessments for countries in that particular region, with population figures of the year 1994 as weights. The index for the 1997 assessment is given as reference point.

A. Current status

6. The table describes the status of what a current user of international data would find: for 59 countries (31.9 per cent of countries worldwide) no economic information is available. Most of these countries are in Africa, where for 31 countries (out of 53) not even basic macroeconomic aggregates are officially reported by Governments. The Economic Commission for Africa (ECA) conducted a special implementation survey[1] in May 1999, in which countries were asked to assess themselves in terms of milestones. According to ECA, 10 out of 41 African respondents conceded that they are currently without any economic data in an internationally required format.

7. Of the 28 non-African countries assessed at milestone 0, 16 are small countries with a population of less than 1 million, 8 of them even less than 100,000, suggesting that there may be a problem of scale in the compilation of national accounts. On the other hand, at least five of the larger non-African countries without data have experienced war or civil unrest in the 1990s.

8. A good 50 per cent of all countries fall under milestone category 1 or 2, which implies that basic gross domestic product (GDP) information and the main macroeconomic aggregates are available for the period under consideration. Only 27 countries (14.6 per cent) currently report various degrees of institutional sector accounts (milestone levels 3-6). Only 5 of these

Table
Summary table for milestone assessment, 1993-1998

	Milestone levels											
	0	*1*	*2*	*3*	*4*	*5*	*6*	*Total*	*Improved compared to 1990-1995*	*Deteriorated compared to 1990-1995*	*Index 2000*	*Index 1997*
Number of countries												
World	59	43	56	6	10	9	2	185	26	25		
Africa	31	11	11	0	0	0	0	53	3	12	0.94	1.03
Northern America	0	0	0	0	0	0	2	2	0	0	6.00	6.00
Caribbean, Latin America	7	9	13	2	1	1	0	33	4	8	2.32	2.23
Western Asia	2	5	8	0	0	0	0	15	2	2	1.70	1.63
Eastern, Southeast and Southern Asia	5	9	6	1	0	2	0	23	3	0	1.86	1.83
Western Europe	4	1	1	3	8	5	0	22	1	2	4.17	4.37
Eastern Europe	1	3	7	0	1	0	0	12	8	0	1.96	1.06
Former USSR	3	4	8	0	0	0	0	15	5	0	1.27	1.07
Oceania	6	1	2	0	0	1	0	10	0	1	3.61	3.92
Percentage (number of countries) 2000	31.9	23.2	30.3	3.2	5.4	4.9	1.1					
Percentage (number of countries) 1997	30.4	24.5	30.4	4.3	4.3	4.9	1.1					

Note: The regional milestone index uses the 1994 country population figures as weights; data for the three new United Nations Member States of Tonga, Nauru and Kiribati are not yet included in the analysis.

27 countries are non-Organisation for Economic Cooperation and Development (OECD) member countries. In Africa, Western Asia and the former USSR, not a single country has been assessed at a level higher than level 2, which implies that a strategy of lateral regional knowledge transfer cannot be used.

9. In their analysis, the experts of the regional commissions have pointed out in recent years that a number of countries had conducted more or less extensive pilot studies (often for a benchmark year) for the implementation of institutional sector accounts. This is particularly the case in transition economies for Eastern Europe and the former USSR, large countries in Latin America and some countries in Asia. Insofar as the results of these compilation exercises have not been incorporated into the release of official country data, that progress is not reflected in the present assessment. However, the foundations for future improvements may have been laid.

B. Changes over the past three years

10. When comparing the assessment periods 1990-1995 and 1993-1998, 51 countries — more than a quarter of all countries — have experienced changes in their milestone assessment. The improvements (26 countries) and deteriorations (25 countries) have been evenly distributed on a global scale. However, a closer look at the regions reveals clear imbalances.

11. In Africa, only 3 countries improved their assessment through reporting of additional official data, while 12 countries deteriorated in their assessment. These deteriorations were in most cases the result of countries ceasing to report data entirely, thus dropping back to assessment level 0. A few countries did continue to provide data but did so in smaller quantities, thus implying a move from milestone 2 to milestone 1.

12. In three regions, all the movements were actually for the better: Eastern, Southeast and Southern Asia; Eastern Europe; and the former USSR. That progress is particularly noteworthy for Eastern Europe, where 8 out of 12 countries improved their assessment over the past three years. That finding is robust since according to the expert opinion of the Economic Commission for Europe, the present assessment rather underestimates progress made in these countries.

13. The process of overall economic restructuring in many transition economies, with the corresponding demand for macroeconomic information, was certainly an important factor in the improvement of the national accounts situation in those countries, as were the relatively large influx of technical cooperation resources and the availability of expert advice from "close" countries in Western Europe. It is more difficult to explain in general terms why progress has been made in certain countries in Latin America, Asia or Africa. Progress here is often due to individual factors, such as the country joining a particular economic or trade grouping, which requires improved standards of national accounting. It could be useful, though, to analyse in more detail the factors that contributed to the success of these countries and to identify those elements that could possibly also be applied elsewhere.

14. The reasons for dropping back in the assessment may range from simple non-reporting of data to the United Nations Statistics Division to a breakdown of public administration due to war or civil unrest. In any event, the group of countries experiencing a deterioration in the assessment could be a special target group for the attention of the international organizations since it should be in theory easier to "restore" a higher milestone level given that the data infrastructure and the expertise existed previously.

15. No comprehensive analysis has yet been conducted regarding the large group of countries in which no progress has been made over the past three years. Budgetary difficulties reducing available resources for statistical activities in many countries were certainly a contributing factor. The increased demand for non-economic statistics may have also put additional strains on the limited statistical capacities of countries. Some evidence suggests that national accountants find it increasingly difficult to convince users of the need for additional resources for the implementation of the 1993 SNA.

16. Project experience of the United Nations Statistics Division suggests that one of the problems with a sustained improvement of the national accounts situation in many developing countries is still the limited number of personnel knowledgeable about the structure, concepts and classifications of the 1993 SNA. Frequently, only one or two staff members of national statistical offices have been trained. The 26 respondents attending an Economic and Social Commission for Asia and the Pacific (ESCAP) workshop[2] ranked the organization of special forums/seminars/workshops for more in-depth training as their first priority for support activities by international agencies. Similarly, during a recent Economic and Social Commission for Western Asia (ESCWA) workshop,[3] the first and second priorities were to hold as many regional workshops, seminars and expert group meetings as possible and to hold national workshops in order to enhance the capabilities of national accountants. Written documentation, such as handbooks and basic training material, are considered useful and important for in-country training. Consequently, the United Nations Statistics Division and other Intersecretariat Working Group on National Accounts (ISWGNA) members have given increased attention to the production and dissemination of such material (for a full list of support material, as well as examples of targeted technical cooperation efforts, in particular for groups of African countries, see E/CN.3/2000/2).

III. What does implementation of the 1993 SNA mean?

17. At the September 1999 meeting of ISWGNA, experience with the milestone approach so far was discussed, which led to a more general debate of what it actually means to implement the 1993 SNA. The members of ISWGNA agreed that implementation of the 1993 SNA in a particular country should be evaluated in at least three dimensions: (a) scope of the accounts, (b) concepts and classifications used, (c) basic data quality. Scope of the accounts refers to the coverage in terms of tables and accounts suggested by the 1993 SNA. Regarding concepts and classifications, it is possible to draw up a limited checklist of conceptual changes between the 1993 SNA and its predecessor (treatment of computer software, mineral exploration etc.) to verify whether a country has

adapted to the new system. With respect to data quality, there are no explicit standards mentioned in the 1993 SNA. Nonetheless, an evaluation of the basic data quality should be an integral part of the overall assessment of whether a country has successfully implemented the new standards.

18. The milestones in their current form capture only one dimension — the scope of the accounts — thus equating implementation of the 1993 SNA with the compilation of institutional sector accounts. In fact, the milestones are not necessarily based on the 1993 SNA. A large number of countries concede that they are still compiling their accounts on the basis of the 1968 SNA even though they may have substantially developed accounts. It would be interesting to indicate in the table the number of countries which have undertaken explicit efforts to implement the 1993 SNA. The milestone's narrow focus on institutional sector accounts also sends the potentially misleading message that the compilation of additional accounts is more important than conceptual accuracy and data quality.

19. One reflection of the use of the milestones as a planning tool can be found in the ECA survey report on Africa mentioned in paragraph 6 above. When asked what their milestone plans for the year 2004 were, 28 of the 41 respondents were envisaging reaching implementation levels 4 and higher, an average increase of 3 milestone levels over their own current assessment.

20. In the ISWGNA discussion, it was also observed that the numerical characteristic of the milestones wrongly suggests one particular sequence of steps to be taken on the path to SNA implementation; moreover, the numbers have led to competitive bilateral comparisons between countries, which was certainly not the intention of the designers of the milestones. It should be noted that the original definition of the milestones included additional dimensions, such as the evaluation of special data systems (quarterly accounts, supply and use tables etc.), which were not taken into account in the actual measurement of the milestone country assessments.

21. The Economic Commission for Latin America and the Caribbean (ECLAC) has experience in using a more comprehensive assessment method, based on a number of indicators, including those permitting data-quality evaluation. ECLAC analysis shows that some countries which have not officially embarked on a programme to implement the 1993 SNA may still have improved their national accounts by updating their base year or extending the scope of their compilation. The importance of the compilation process for its own sake was emphasized at a recent ECLAC expert group meeting:[4] participants advocated rigour in the assessment of countries, by stipulating that for full implementation of the 1993 SNA a country must have compiled data for more than one year and must have officially published them.

22. One specific point regarding the use of the current milestone analysis was raised by various regional commissions. It was remarked that it was very frustrating that despite the information gaps clearly identified by the milestone assessment, additional resources to address the problem have not been forthcoming in past years.

23. Given all the issues raised above, ISWGNA has decided that it will give prominence during its forthcoming spring 2000 meeting to the question "What does it mean to implement the 1993 SNA and how can this be reflected in a possibly extended or refined milestone system?" ISWGNA will also analyse the replies received to the first data questionnaire, based on the 1993 SNA. The results of that analysis and discussion will be reflected in the next issue of *SNA News and Notes*.

IV. Points for discussion

24. The Commission may wish to:

(a) Express its views regarding the milestone assessment and its use;

(b) Suggest improvements for the assessment method which is being applied.

Notes

[1] "Implementation of the System of National Accounts, 1993 (1993 SNA) in Africa", Addis Ababa, 22 June 1999 (E/ECA/DISD/CODI.1/17).

[2] See ESCAP, report of the First Workshop on the Implementation of the 1993 SNA, Bangkok, 12-23 October 1998.

[3] See ESCWA, report of the Workshop on Compilation of Integrated Economic Accounts of the 1993 SNA, Beirut, 26-28 October 1999.

[4] See ECLAC, report of the Workshop on Regional Accounting, Aguascalientes, Mexico, 8-12 November 1999; see also "La aplicación del SCN 1993 en América Latina y el Caribe", ECLAC, 1999.

Annex

Factsheet on milestones

Definition

System of levels 0-6, by which higher milestone levels correspond to increasingly complex national accounting systems; e.g., milestone level 6 corresponds to a national accounting system, including a complete sequence of institutional sector accounts up to the balance sheets.

Created by

ISWGNA in 1995/1996.

Mandate

Given by the Statistical Commission at its twenty-eighth session, in 1995: to define "criteria against which progress could be judged".[a]

Purpose

1. Provide guidance to countries considering the expansion of their national accounting coverage in line with the recommendations of the 1993 SNA.

2. Create a monitoring instrument that measures the level of national accounts development at different points in time to identify countries (country groups) that need the particular attention of the international community.

Measurement method

The evaluation is based on official data reported by countries to the United Nations Statistics Division in its annual national accounts questionnaire. Criteria have been defined for each of the milestones, whereby the presence of a certain combination of tables in the United Nations database (at least for one year during the predefined time-frame) indicates a specific level of national accounts development.[b] This mechanical assessment method is quick, low cost, objective and easy to repeat at regular intervals.

Alternative methods considered

1. Self-assessment by countries via assessment questionnaire.

2. External assessment through international experts (e.g., in regional commissions).

Time-frame of assessment

Annual assessment for a five-year time-frame. (t-7 to t-2, where t = current year).

Limitations of assessment method

1. Problem of under-reporting by countries to the United Nations Statistics Division.

2. Not sensitive to data quality.

3. Does not distinguish between benchmark and annual compilation.

Notes

[a] See *Official Records of the Economic and Social Council, 1995, Supplement No. 8* (E/1995/28), para. 12.

[b] For details regarding the six criteria, see background document entitled "Milestone assessment of member States", presented to the Statistical Commission at its twenty-ninth session under agenda item 9, "National accounts".